

OWNWORKING CAPITAL OF ENTERPRISES: METHODOLOGICAL APPROACHES TO ANALYSIS

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The purpose of this paper is analysis of existing methodic approaches to own working capital calculation, their critical assessment and outlining the most relevant approach in current economic conditions.

Approach. In this paper there were analyzed different views on own working capital (OWC) calculation methodology, as there are a lot of alternative ways of its essence definition and of its mathematical calculation. During this research there were used general and specific scientific methods, such as: abstract and logical, systematic approach, induction and analysis. By using these methods it is found that nowadays there is no unified point of view on the methodology of own working capital calculation.

Findings. Own working capital is a core element in business, as it helps to evaluate financial stability and efficiency of a company. As a result of an analysis it is suggested a new approach to calculation of this index.

$$\begin{array}{ccccccc} \text{Own} & = & \text{Current} & + & \text{Prepaid} & + & \text{Non-current} & - & \text{Current} \\ \text{working} & & \text{assets} & & \text{expenses} & & \text{assets and} & & \text{liabilities} \\ \text{capital} & & & & & & \text{disposal groups} & & \end{array}$$



Research implications. Own working capital is a base of a strong financial position and also a source for covering the assets. Own working capital means that the entity can pay its liabilities and also has enough financial resources for development and investing.

Practical implications. Use of valid practical recommendations for OWC definition will lead to accurate and true information about financial position of a company, which is useful for internal users to make managerial decisions and for external users to improve investment attractiveness.

Originality. Determination of a unified and the most relevant methodology for own working capital calculation will result in correct displaying of financial indexes, which define financial equilibrium of a company's assets and passives.

Keywords: own working capital, current assets, net working capital, assets, current liabilities;

Research type: research paper.